

Qualification; civic; social welfare; consumer protection. A nonprofit organization that processes consumer complaints concerning products and services provided by business establishments, meets with the parties involved to encourage resolution of the problem, recommends a fair solution and, if the proposed solution is not accepted, informs the parties about appropriate judicial or administrative bodies that may be used to resolve the disputes qualifies for exemption under section 501(c)(4) of the Code.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954.

The organization's stated purpose is to protect the consumer by providing counseling and information regarding products, services, and warranties. It is supported by contributions from the public and is staffed by volunteers. As its primary activity, it processes complaints that are registered with it by consumers concerning the products or services provided by particular business establishments.

The organization determines the facts relating to a complaint and meets with the parties involved to encourage discussion and resolution of the problem. If the parties are unable to agree, the organization recommends a solution it believes to be fair. If the parties do not accept the proposed solution, the organization informs the parties about appropriate judicial or administrative bodies they can use to resolve their dispute.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civil leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting the common good and general welfare of the people of the community. An organization coming within the scope of this regulation is one which is operated primarily to bring about civic betterment and social improvements.

Rev. Rul. 65-299, 1965-2 C.B. 165, holds that an organization providing financial counseling and budget help to whoever wants such help qualifies as a social welfare organization under section 501(c)(4) of the Code.

In the present case, the organization's overall program is made available to all consumers, and may reasonably be expected to benefit a significant segment of the community. Thus, the

organization promotes the common good and general welfare of the people of the community in the same sense as the organization described in Rev. Rul. 65-299.

Accordingly, the organization qualifies for exemption from Federal income tax under section 501(c)(4) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(4) of the Code. The application should be filed with the District Director of Internal Revenue for the key district indicated in the instructions to the Form 1024. See section 1.501(a)-1 of the regulations.